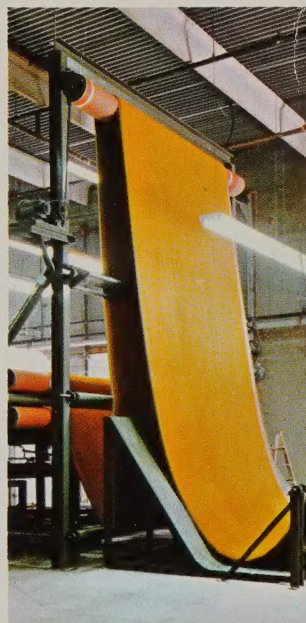


the Permanent

123rd Annual Report 1977

File



Growing
through
diversification
of customer
services





the Permanent

Canada Permanent Trust Company
Canada Permanent Mortgage Corporation

123rd Annual Report 1977

The pictorial theme throughout this year's annual report is "growth through diversification of customer services". Our traditional lines of business are represented by photographs which illustrate trust services, real estate services and, in respect of financial intermediary services, savings accounts and mortgage loans.

It is as a financial intermediary that we have achieved our greatest growth in recent years, and this aspect of our business is further illustrated by pictures depicting such new services as personal loans (introduced in 1971), equipment leasing, commercial loans made through the agency of the Permanent Commercial Corporation, together with loans made through our London, England affiliate, Canada Permanent AFI Limited.

We are indebted to our many clients who generously provided photographs for our use in this report.

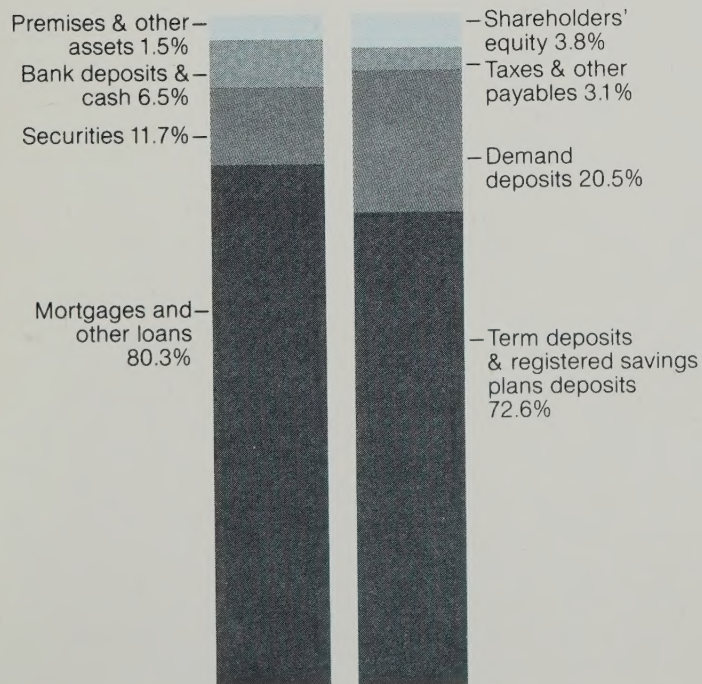
Our Standing at a Glance

	1977	1976	Percentage increase
Net operating income	\$20,333,000	\$16,361,000	24.3%
Net earnings per share	\$2.61	\$2.31	13.0%
Dividends per share	\$1.095	\$1.02	
Deposits, debentures and guaranteed investment certificates	\$3,775,760,000	\$3,058,695,000	23.4%
Mortgages	\$3,020,413,000	\$2,547,200,000	18.6%
Estates, trusts and agencies	\$2,884,241,000	\$2,596,359,000	11.1%
Number of shareholders			
— Common	5,782	5,685	
— Preferred	1,726		
Number of employees	3,023	2,812	
Number of Real Estate Commissioned sales agents	1,825	1,555	

Balance Sheet Summary

Assets:
\$4,053,177,000

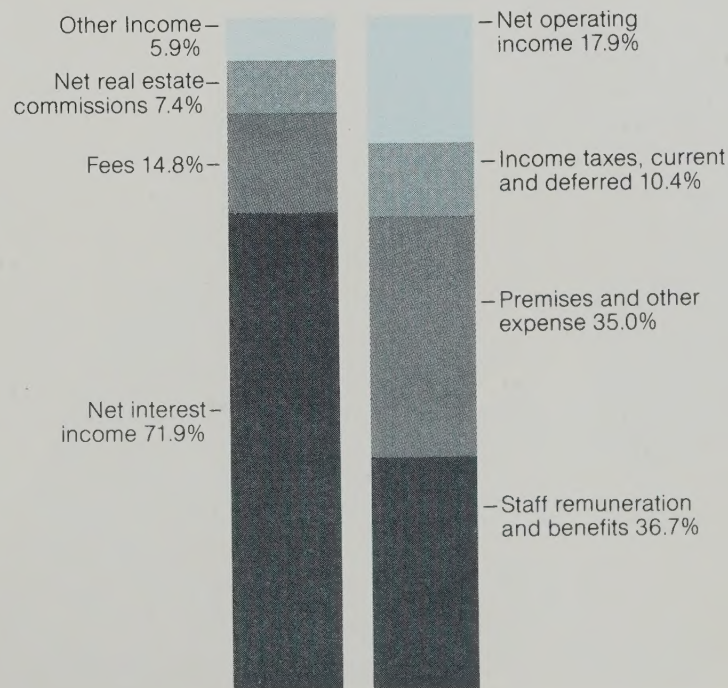
Liabilities and shareholders' equity:
\$4,053,177,000



Income Statement Summary

Net Margin (income less interest expense):
\$113,796,000

Operating expense and profit:
\$113,796,000



- The Permanent's marketing theme "We'll always be here to help you make it" is demonstrated to a young savings customer by a teller.



To Our Shareholders:

Review of 1977

The Nation:
1977 was a disappointing year for the Canadian economy. The output of goods and services fell short of earlier expectations and there has been little real growth. This poor performance results from a variety of factors, not least of which has been the inevitable byproduct of government policies aimed primarily, in contrast to the practice during earlier slowdowns, at combating inflation. Foremost among these was the Anti-Inflation Program itself, to which must be added federal government monetary policy, and fiscal policy at both federal and provincial levels. Slow growth has, of course, been a world-wide condition which, given the open nature of our economy and our uncompetitive cost and price structure, has forced our natural resource product inventories to stockpile uneconomically while we suffer the consequences of a slackening in world trade. The national unity question has added a further dimension to the nation's problems, aggravating the uncertainty which clouds both our political and economic future. These influences, international and domestic, economic and political, have produced unemployment levels which in the past would have been thought intolerable while the goal of controlling inflation has proved to be as elusive as ever. Meanwhile, the Canadian dollar has depreciated substantially – a necessary adjustment, in our view, to the realities of international price competition which have for too long been ignored.

The Company:
Despite the poor performance of the economy as a whole, 1977 was, paradoxically, a reasonably good year for the Permanent, largely due to a general softening of interest rates in the early part of the year. It has been our experience that an interest rate change has only a gradual effect on assets and term deposits, as maturing fixed rate investments and borrowings are renewed, while it has an immediate impact on demand deposits. A reduction in rates, therefore, has a favourable effect on earnings, just as an increase has the reverse.

The following sets forth the year's highlights.

Financial Summary

Net income of the company, at

\$20,364,000, showed an increase of 24% over 1976. After deducting preference share dividends of \$1,807,000, the basic earnings per common share amounted to \$2.61, an increase of 13% over 1976. This represents a net return on average common equity of 14.4%, as compared with 13.8% and 13.1% in 1976 and 1975 respectively.

Dividends of \$1.095 per common share (the maximum allowed under Anti-Inflation Board guidelines), amounted to \$7,776,000. Charged against retained earnings during the year were expenses of \$801,000 relating to the preference share issue and \$11,484,000 representing goodwill arising on the amalgamation, which took place on December 31, 1977, of Hamilton Trust and Savings Corporation with Canada Permanent Trust Company. These transactions, combined with the proceeds of the preference share issue, resulted in a net increase in shareholders' equity of \$28,496,000. The equity now stands at \$152,237,000, of which \$122,237,000 represents the equity of the common shareholders.

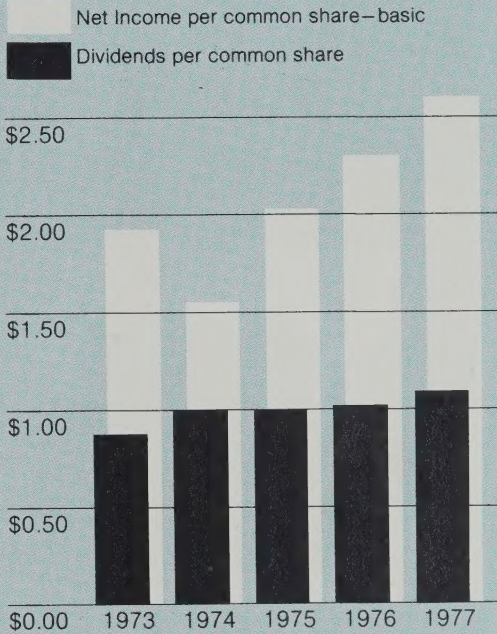
The company's assets passed the \$4 billion dollar mark in 1977, and at year's end stood at \$4,053,177,000, up 24% from 1976. Normal growth, at the rate of 17% per annum, accounted for \$546,034,000 of this increase and the remaining \$237,204,000 represents the assets of Hamilton Trust and Savings Corporation.

Interest income increased to \$357,230,000 during 1977, an improvement of 20% over 1976. Interest paid on deposits rose by only 16% to \$275,378,000, reflecting the easing in rates referred to earlier. Net interest income, which is the gross profit from the financial intermediary portion of our business, was \$81,852,000, an increase of 36% over 1976.

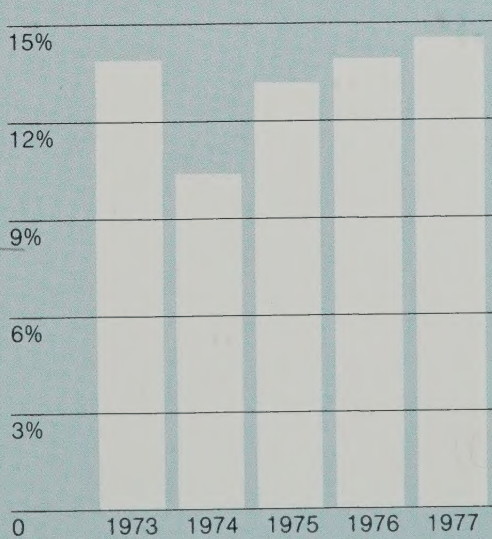
Fee income from corporate, pension and personal trust operations was, at \$16,841,000, slightly less than we earned from this source in 1976, though higher than in any previous year other than 1976. Gross fees are not always a measure of profitability as in some instances, particularly in the case of smaller accounts, fees may be exceeded by the related administrative costs. The number of these smaller accounts has been declining in recent years.

Net real estate commissions rose by 38% to \$8,368,000, reflecting the coming to

Net income and dividends per common share



Return on common shareholders' average equity—basic



- An example of the type of high quality, single family, residential property that forms a major portion of The Permanent's mortgage portfolio.



fruition of our plans, mentioned in last year's report, to acquire an improved share of the market.

Operating expenses in 1977 amounted to \$81,524,000, an increase of 24% over 1976. Of this amount, \$41,703,000 represents salaries and benefits, up 16% from last year's figure of \$35,846,000. The increase is accounted for primarily by inflationary pressures on salaries, inasmuch as the actual number of employees has not grown in proportion to our asset growth. In this connection, a productivity program is in effect within the company, aimed at keeping staff costs as low as possible, consistent with providing good service to our customers. Premises expense, at \$9,053,000, was 22% higher than the \$7,434,000 recorded in 1976. This reflects the continued cost of expanding our branch network and maintaining existing branches to the standards we have set for the comfort of customers and employees. Seven new branches were opened in 1977 and eight are planned for 1978. In the category of 'Other expense', which rose by 36% from \$22,567,000 in 1976 to \$30,768,000 in 1977, the major components are data processing and marketing costs, both of which are discussed under separate headings in this report. Also included are business taxes and licences, which continue to rise substantially, deposit insurance premiums which rise in proportion to the growth of our deposits, operating expenses such as stationery, postage and telephone charges, which have been subject to above average inflationary increases, together with what we feel are adequate provisions for losses on our ever-growing loan portfolios.

Last year we spoke about the arrangements which were being made for a public issue of preference shares. This issue took place on February 3rd, 1977, in the form of 1,200,000 tax deferred 6¾% convertible preference shares of the par value of \$25 each, which yielded a gross total of \$30,000,000. The issue was innovative in that it was the first time that a tax deferral and a convertible feature were combined, providing a uniquely structured investment vehicle of particular interest to investors in higher income tax brackets. The issue was very well received in the marketplace, and has been trading above the issue price during the year.

The ten percent increase in borrowing limits, which we were granted last year, established the permissible ratio of borrowings to shareholders' equity together with deferred income taxes at twenty-two to one. At year's end we were well within that limit, but as borrowings continue to grow we shall be seeking the additional capital which will allow us to sustain our growth.

Hamilton Trust

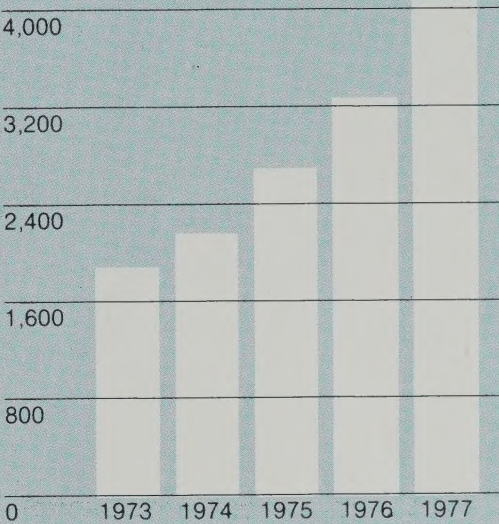
The amalgamation of Hamilton Trust and Savings Corporation with Canada Permanent Trust Company was effective on December 31st, 1977. We are most pleased to be associated with this well respected company, which has established an enviable reputation in Southern Ontario. The amalgamation brings us \$237,204,000 in assets and eleven new branches in an arc from Burlington to St. Catharines. Several are located in Hamilton and one each in Brantford and Tillsonburg, providing us with improved access to extremely valuable markets. It is hoped that Hamilton Trust customers, who have been well served in the past, will find added benefits through the merging of the experience, judgment and skills of the management and staffs of our two companies.

Under the terms of the amalgamation agreement, the former holders of both the common and the preference shares of Hamilton Trust now hold series B 8% preference shares of Canada Permanent Trust Company, which were specially issued for this purpose. Substantially, all of the common shares and all of the series A preference shares of Canada Permanent Trust Company are held by the parent company, Canada Permanent Mortgage Corporation. Canada Permanent Mortgage Corporation has made a share exchange offer dated November 16, 1977, which is due to expire on February 18, 1978, whereby it will exchange, on a one-for-one basis, its series B 8% preference shares for the preference shares of Canada Permanent Trust Company now held by former Hamilton Trust shareholders. If the offer is accepted by all of these shareholders, Canada Permanent Trust Company will again become virtually a wholly owned subsidiary of Canada Permanent Mortgage Corporation.

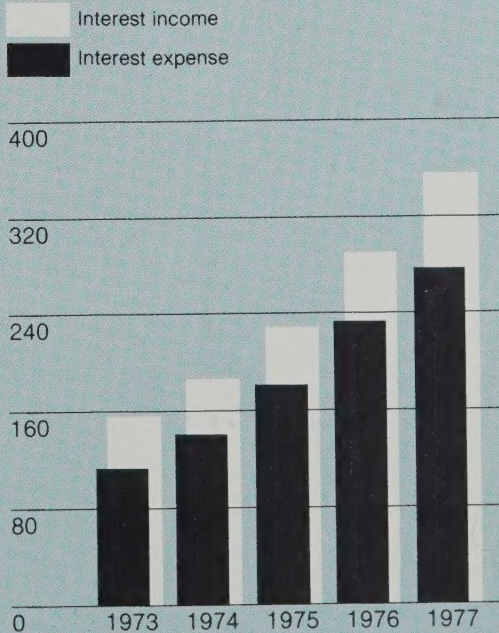
Savings and Loan Operations

It has been an unusual task during the

Assets in millions of dollars



Interest income and interest expense in millions of dollars



• Maple Leaf Gardens Limited, Toronto, Ontario—a major Transfer Agency client of The Permanent's Corporate Trust Department.



past year, to manage the financial intermediary portion of our business under the constraints of the Anti-Inflation Program, while at the same time pursuing our own asset management objectives. In response to a trend away from long term commitment on the part of depositors, we have maintained a highly liquid position, with larger amounts than usual invested in short term securities, with the inevitable result of decreasing potential earnings. In addition, during the year, contrary to our interpretation of the regulations, certain marketing expenses of \$227,000 were restricted by the Anti-Inflation Board from being included in our calculation of net revenues, with the result that revenues had to be reduced by this further amount, to achieve compliance with the requirements of the Board. In consideration of long term forecasts, which depict a declining mortgage market in the mid to late nineteen eighties, we have been attempting to reduce the company's heavy dependence on first mortgage loans, as an investment medium. At the end of 1974, first mortgage loans represented over 81.0% of our total assets; this figure has decreased to less than 75% as at December 31, 1977. In this regard, some areas of investment upon which we have concentrated are personal loans, commercial loans, leased assets and, through CanPerm Realty Limited, real estate holdings. Together, these investments, the first of which appeared on our balance sheet in 1971, have grown to \$197,901,000 at December 31, 1977. In addition, we have begun more actively to market our secured loans which provide good revenue at minimal risk, being fully secured by marketable bonds and stocks. As at December 31, 1977, these loans stood at \$47,603,000.

Mortgage loans outstanding have passed the \$3 billion mark, for a total of \$3,020,413,000, of which some 95% represents loans on residential properties. Through mortgage loans on single family homes and multi-unit buildings of various sizes, the Permanent is now providing the financing for 153,000 individual dwelling units.

At December 31, 1977, deposits stood at \$3,775,760,000, as compared with \$3,058,695,000 at the end of 1976, an increase of 23%. As a result of growth throughout 1977 and the acquisition of Hamilton Trust, our customer base has increased considerably in the past twelve

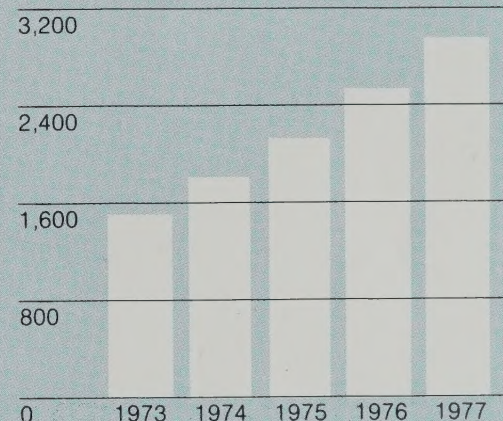
months. Demand deposits now consist of 432,000 savings and chequing accounts, as compared with 323,000 a year ago, and 45,000 savings certificates, as compared with 40,000 a year ago. Term deposit certificates outstanding number 474,000, as compared with 403,000 at the end of 1976.

Deposits to our registered retirement savings plans and registered home ownership savings plans now total \$479,536,000. These plans are proving remarkably popular with Canadian taxpayers in that the increase of \$160,738,000 over the 1976 figure of \$318,798,000 is 30% greater than the previous year's increase which was itself a record. Our plans are particularly attractive because, although the deposits are repayable on the expiry of short notice periods—generally about one month—it is our policy to allow interest on them at the same rate as paid on three year term deposits, compounded monthly. In this connection, an extremely important objective, in our philosophy of managing assets and liabilities, is to maintain a proper balance, in terms of interest rates, between groups of items on both sides of the balance sheet. Since the range of investments permitted to the company and the proportion of total assets that may be invested in certain types of security are controlled by law, the pursuit of advantageous rate differentials, or spreads, is largely a matter of liability management. This, we feel, is best accomplished by close control of rates paid on deposits, within the narrow limits imposed by market conditions, and by direction of marketing effort. The following table shows the yearly average net interest spread of the company for each of the five years ended December 31, 1977. These are basic spreads, not adjusted on a taxable equivalent basis.

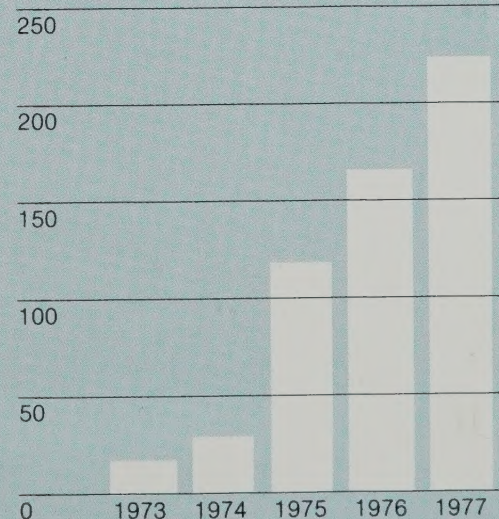
	1973 %	1974 %	1975 %	1976 %	1977 %
Rate earned on investments:	8.83	9.21	9.76	10.35	10.47
Rate paid on deposits:	6.99	7.85	8.07	8.74	8.56
Average net interest spread:	1.84	1.36	1.69	1.61	1.91

Maintaining an appropriate balance, in terms of maturity dates, between our loan portfolio and our fixed term deposit

Mortgage loans
in millions of dollars



Personal and secured commercial
loans in millions of dollars



● Tracey Park Golf and
Country Club, Bath,
England—a client of Canada
Permanent AFI Limited.



liabilities is another important management objective. The one and two year term mortgage loans introduced in 1976 are helpful in this regard, and during 1977 such loans comprised 22% of all first mortgage loans made. The following table shows in respect of mortgage and other loans outstanding at December 31, 1977, the amounts repayable in each of the years indicated. These amounts include maturing loans, amortized principal payments, and an estimate of expected prepayments based on current experience. In respect of fixed term deposits outstanding at December 31, 1977, the table shows the amounts maturing in each of the years indicated.

Repayable in Year Ending December 31	Loan Amounts Outstanding as at December 31, 1977	Fixed Term Deposits as at December 31, 1977
(in thousands of dollars)		
1978	\$ 804,733	\$ 639,781
1979	616,467	350,074
1980	617,111	470,273
1981	533,632	550,017
1982	598,340	453,708
1983, and subsequent years	84,162	
TOTAL	\$3,254,445	\$2,463,853

Trust Operations

The highlight of 1977 for our Corporate Services Department was the installation at our main Toronto branch of "Permatrans", an on-line automated securities transfer system. The system benefits clients by greatly reducing both turn-around time and the risk of human error. It makes possible a wide variety of statistical reports which clients will find useful for research and communication purposes, and it provides great flexibility in handling dividend payments, proxies and stock splits as well as providing a new service, dividend re-investment, which is beginning to capture the interest of many Canadian companies. Those clients who have so far been introduced to the system are enthusiastic, and we feel that it was a factor in acquiring new business during the year. In 1978, the system will be extended to our branches in principal cities across Canada.

During the year we performed services for our corporate trust clients in connection with rights offerings, takeover bids, a capital reorganization and both foreign and domestic debt issues. Fees, at \$3,771,000, reflect a level of activity approximately equal to that of 1976.

Pension trust and investment management fees amounting to \$3,232,000 were 5% ahead of 1976 levels. We have spent much of 1977 planning and implementing a major reorganization of our Investment Services division, with a view to providing the best possible service to pension trust and personal trust clients, in terms of mature investment advisory skills and advanced computer modelling techniques. We have in place now an analytic and advisory service which we believe will be very valuable in maintaining the confidence of our many investment clients.

In the Personal Trust area, in 1977, fees from the administration of estates and personal trusts were \$9,838,000, in contrast with \$10,231,000 earned in 1976. We would like to see growth in this area and have stepped up our business development activities in the current fee area accordingly. We have, however, recognized that a great number of personal trust accounts have become unprofitable as a result of increased expenses connected with the upgrading of the quality of our services that has taken place over the past few years. Being more selective in the business we accept has temporarily curbed the growth of fee income, though not of profitability.

Real Estate Operations

Our goal for real estate operations over the past several years has been to make significant gains in market share. With this in mind, in 1977 we embarked on a highly innovative marketing and promotion program. Gains were made in all markets, and in Halifax, Southern Ontario, Winnipeg and Calgary our sales increased by over 50%. The Permanent is now well established in the forefront of Canada's real estate industry and, while the real estate market as a whole is likely to experience little expansion in 1978, we hope to maintain buoyant sales.

We are most pleased to report that our efforts have succeeded to the extent of producing \$8,368,000 in net real estate commissions, a 38% increase over the 1976 figure of \$6,068,000. While we will continue to strive for increased market share, our primary objective in coming years will be to achieve a balanced contribution from this facet of our business.

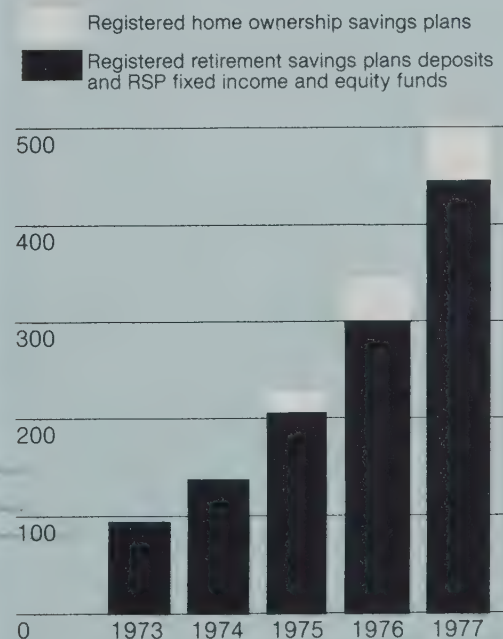
Subsidiary Companies

Canada Permanent AFI Limited has had

Deposits
in millions of dollars



Registered savings plans
in millions of dollars



● "Launch it at The Permanent" was the theme of one of this year's Personal Loan Campaigns. (Photo courtesy C&C Yachts Limited—a client of The Permanent Commercial Corporation).



an excellent year and now has total assets in excess of £5 million. We have given formal notice of intent to exercise our option to purchase additional capital stock of the company, and when this transaction has been completed early in 1978, we shall hold effective control. As well as making a contribution to net revenues, Canada Permanent AFI Limited brings us close to British markets and will, when suitable opportunities arise, serve as a conduit for future European financing. The company is, of course, subject to British laws and regulations, but will also be operated in conformity with the Canadian legislation that applies to the parent company. Lastly, we were very pleased to welcome Bernard J. Haynes as Managing Director in August, 1977. Mr. Haynes, a former senior officer of the Midland Bank, brings a wealth of skill and experience to our London operation.

The Permanent Commercial Corporation continues to arrange and manage high quality business loans which are carried on the books of Canada Permanent Mortgage Corporation. Our policy is to develop a well rounded portfolio of loans, dispersed geographically and diversified as to type of industry. We are well on the way to achieving our goal, with loans to industries in various fields, from transportation to finance, and from poultry farming to printing, located in growth areas, principally in Ontario, Alberta and British Columbia. At December 31, 1977, loans managed by the Permanent Commercial Corporation stood at \$70 million. 78% of these loans bear a floating interest rate, tied to the bank prime rate, with the view to protecting us against unfavourable rate fluctuations.

CanPerm Realty Limited continues to fulfill its role as a means through which the Permanent can acquire an appropriate degree of investment in real estate holdings. Our objective is to achieve investment of about \$50,000,000 by 1980, present investment being approximately \$20,000,000. While we are most pleased with the quality of our real estate holdings, income from this source has been somewhat below expectations in 1977 due to delay in getting all of our properties fully rented. Meanwhile, we are actively engaged in seeking and reviewing new investment proposals.

Automation

In the area of automated systems, 1977

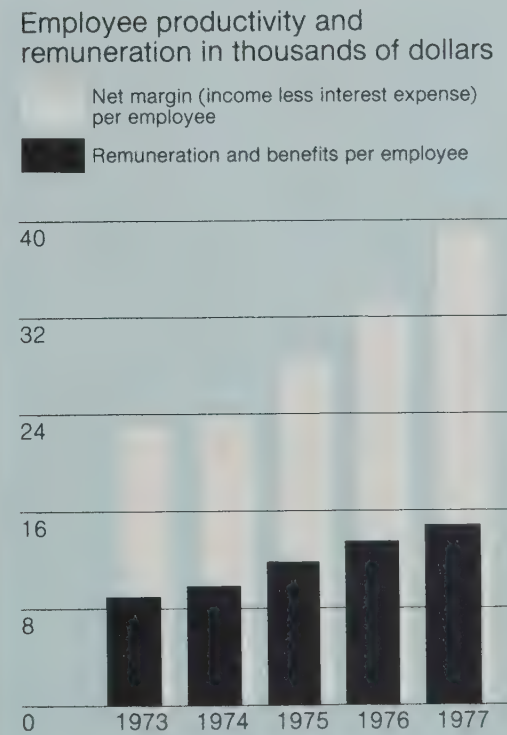
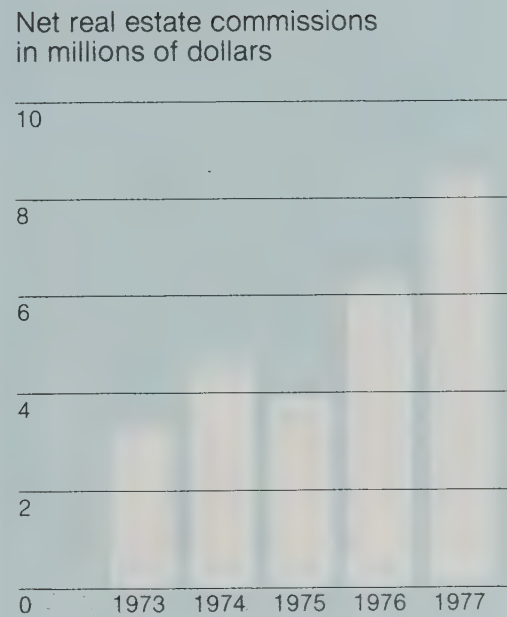
was a most exciting year. As mentioned, we installed our new Stock Transfer and Dividend Disbursing System in July, and we are most pleased with the facility it affords us to provide improved service to our clients.

Examination of the demands expected to be placed on the trust business in the future has led us to the conclusion that our present computer system, though adequate, is not the sophisticated system required to meet competition in the nineteen eighties. Following six months of research in 1977, we entered into an agreement with S.E.I. Corporation of Wayne, Pennsylvania, to process our personal trust accounts on their "Trust Aid" computer system. The processing will be done in a Canadian data centre to be established by S.E.I. Corporation. The "Trust Aid" system, versions of which are already in operation in the United States, will be adapted specially to our specifications, and will, when in operation here, be more advanced than any comparable system in North America.

The most ambitious project which we have under development is the Automated Banking System, aimed at improving our savings and loan services. When this has been installed each teller will be equipped with a television-type screen and a keyboard which will enable her to serve not only savings customers, but personal loan, term deposit, RRSP and RHOSP customers as well. Installation of the system will improve accuracy to the benefit of customers and staff alike, and provide us with valuable marketing information. The supplier of teller terminals for this project and co-developer of the system, with ourselves, is Geac Canada Limited. The communications technology involved is Datapak, newly designed by Bell Canada and its associates. We are confident that this new data processing and communications tool in the hands of our branch staff from coast to coast will enable us to give superb service to our customers and meet the stiffest competition that may emerge. A pilot operation is scheduled for mid-1978, and installation at all branches should be completed by late 1979.

Marketing

Television advertising continues to absorb a major portion of the funds we allocate to marketing. Production and air time costs are high, but we are of the opinion that there is no better way of



• "We'll always be here to help you buy or sell your home" is the marketing philosophy of The Permanent's Real Estate Division.

A man in a brown suit is holding a large yellow sign that reads "the Permanent" and "Canada Permanent Trust Company / Realtor". The sign also displays the phone number "481-3443" and a red "SOLD" banner. Below the main sign, a smaller yellow sign reads "Roland Lecuyer 469-1248". The background shows a stone house with a chimney and a tree.

the Permanent
Canada Permanent Trust Company / Realtor

481-3443

SOLD

Roland Lecuyer
469-1248

reaching extremely large and diverse audiences and acquainting them, in a sincere manner, with our willingness to be of help in meeting their needs for financial services. Our research reveals a most favourable response to this investment.

A major marketing success in 1977 was our Silver Jubilee campaign, which featured coins specially minted in honour of the Silver Jubilee of Her Majesty, the Queen, namely the silver dollar piece and the gold one hundred dollar piece, along with newly minted sets of Canadian coins. One or other of these handsome coins was given to customers opening accounts at our branches during a three week period in October and November. The response was beyond our expectations and it is estimated that over 25,000 new customers were introduced to the company as a result of the campaign.

An important marketing challenge to be met in 1978 is the development of plans and strategies for the advantageous employment of the Automated Banking System referred to under "Automation". This will be a most powerful marketing tool in that it will enable us for the first time to identify large areas of opportunity within our own customer base.

Personnel

We welcome to our staff 128 employees who have come to us from Hamilton Trust. The Permanent now has 3,023 employees and 1,825 real estate agents, and we take this opportunity to express our appreciation for the contribution they have made throughout the year.

Professional development of our employees is one of our most important concerns. 1977 saw the launching of a company-wide real estate training program which we believe to be one of the finest of its kind. Other programs that were much in use during the year were our training courses for prospective branch managers, management development seminars for supervisory and management personnel, and specialized technical training programs for over a dozen specific positions. Also, the company strongly supports the Trust Companies Institute, which is the educational arm of the Trust Companies Association. Several employees have assisted in the formation of Institute programs and 367 employees have been accredited as Councillors (2), Fellows

(15), Members (221) and Associates (129) of the Institute.

To acknowledge the truly exceptional efforts of some of our outstanding employees we introduced an award program in 1977, the "Permanent Performer of the Month". Each month two staff members, who are selected by a jury of employees from a list of nominations drawn up by their peers, each receive an extra week's vacation and an expense paid trip for two. The philosophy underlying the award is our commitment to our customers, as expressed in the words "We'll always be here to help you make it".

Directors, Advisory Boards and Company Officers

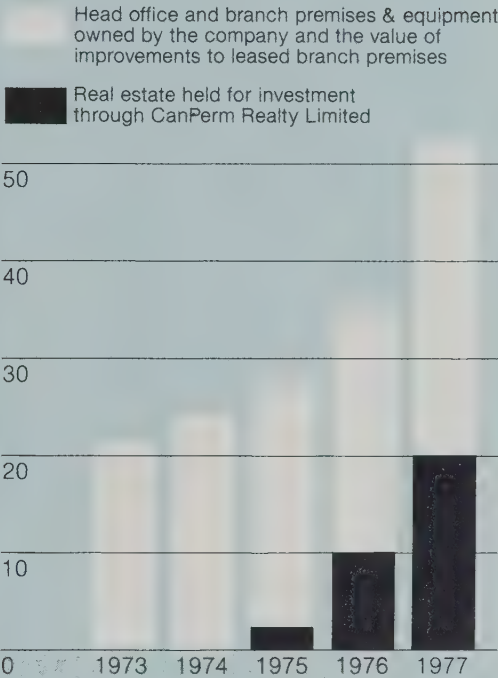
It is with great regret that we record the death, in September, 1977, of John K. Macdonald, who for many years was a director of both the Mortgage Corporation and the Trust Company. We were saddened also by the deaths during the year, of Brigadier E. C. Brown, Harry L. McMackin and James G. Smith. Mr. Brown was chairman of our advisory board at Fredericton and Messrs. McMackin and Smith were members of our advisory boards at Saint John and Hamilton respectively. We take this opportunity to pay tribute to the valuable contribution made by these four men during their long and loyal service to our company.

In February, 1977, Gordon F. MacLaren, M.B.E., Q.C., of Ottawa, retired as Vice-President and director of both companies and chairman of our Ottawa advisory board, and E. Harold Tanner, O.B.E., of Calgary, retired as a director of both companies and chairman of our Calgary advisory board. In July, Keith H. MacDonald of Toronto, Chairman of IAC Limited, relinquished his position as a director. We thank them most sincerely for their wise counsel over the years.

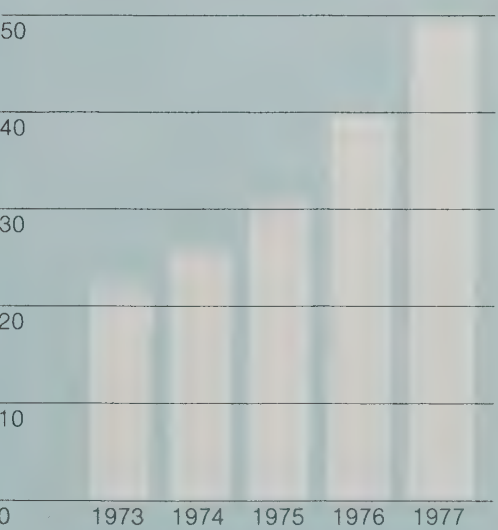
Colin M. A. Strathy, Q.C., of Toronto, a director for many years, was elected Vice-President of both the Mortgage Corporation and the Trust Company. Beverley Matthews, Q.C., of Toronto and Beryl Plumtre of Ottawa, already directors of the Mortgage Corporation, were elected to the board of directors of the Trust Company.

Advisory board members who retired or resigned during 1977 were: Spurgeon R. Covey, Halifax; Ralph T. Cunningham, Vancouver; M. A. East, Saskatoon (chair-

Premises and equipment in millions of dollars



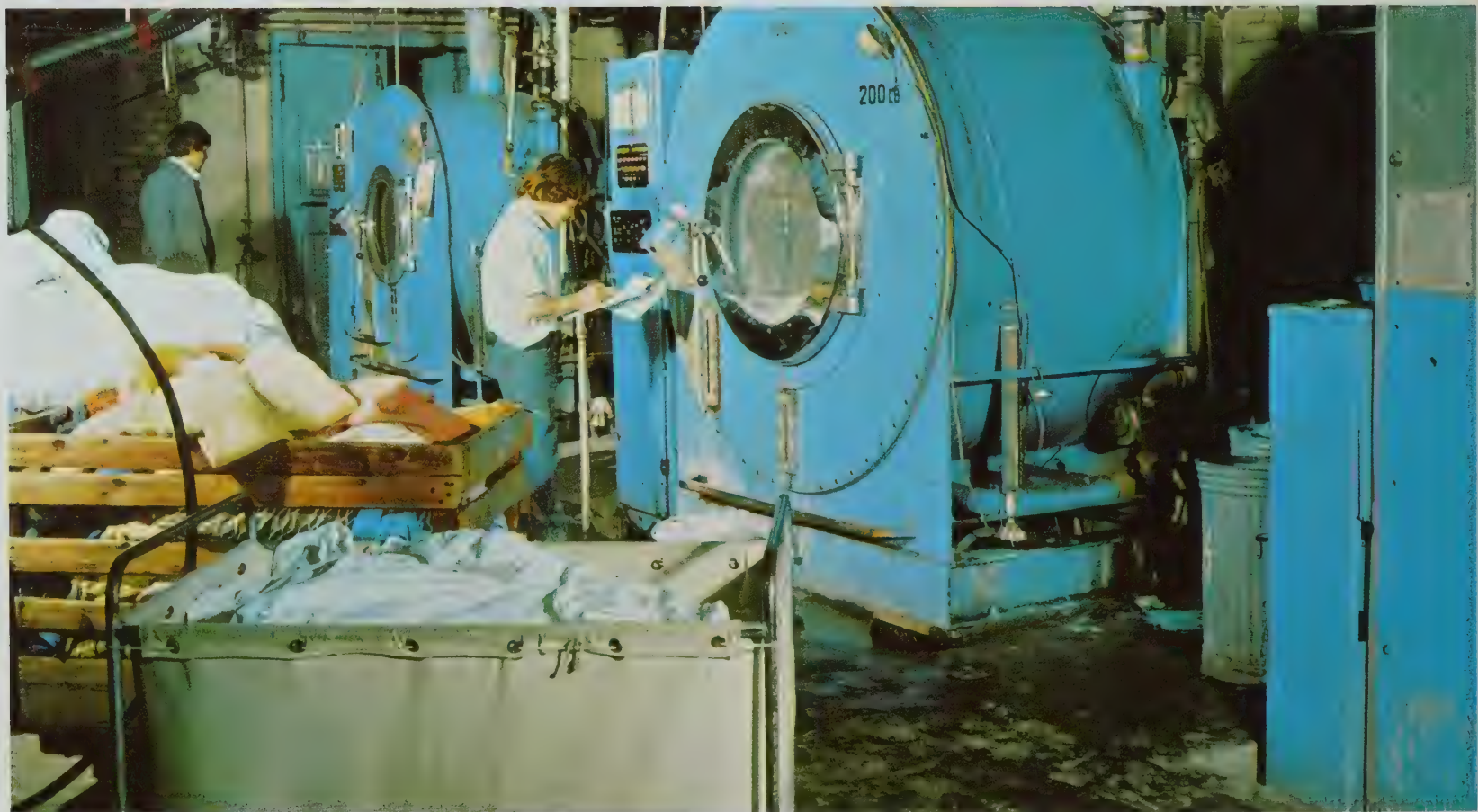
Income from securities in millions of dollars



- Derek Tyne Limited, Dunstable, England, manufacturer of television sets.

- Vaughan Laundry (Cardiff) Limited, South Wales.

Clients of Canada Permanent AFI Limited.



man); D. Owen Hartigan, Sydney; Elliot M. Jacobson, Halifax; Charles H. Llewellyn, Fredericton; Philip M. Malouf, Montreal; R. R. McDaniel, Calgary; J. E. Nadeau, Montreal; E. J. Phelan, Q.C., St. John's; J. H. W. Sanderson, Q.C., Saskatoon. To all of these we express our warm appreciation for their valued assistance.

Gerald A. Comeau and Thomas E. Ladner, Q.C. were elected chairmen of our advisory boards at Moncton and Vancouver respectively, replacing J. K. Grainger and William H. Mowat, who, we are pleased to report, are staying on as members of those boards. New chairmen were also elected to the advisory boards at Fredericton, Calgary and Ottawa, namely Arthur McF. Limerick, Q.C., The Hon. Harry Hays and Beryl Plumtre respectively. New advisory board members whom we are most pleased to welcome are: Paul Desrochers, Montreal; John D. Guildford, Halifax-Dartmouth; Howard P. Miller, Calgary; Clifford A. Moir, Halifax-Dartmouth; Marcel Savard, Montreal.

The organizational structure of our senior management group continues to evolve in response to the challenges we face in the marketplace. During 1977 William M. Kerrigan was appointed as Vice-President, Information Services, reflecting the growing importance of fast, accurate and comprehensive information systems in the operation of our business. Denton J. Butler, who was formerly in charge of operations at Hamilton Trust, was appointed as Assistant Vice-President with responsibility for our branches in Hamilton and district. Managers of our principal branch offices throughout Canada were appointed as Assistant Vice-Presidents in recognition of the special contribution of these offices to the company's well-being. The appointees are: J. E. Duff, Vancouver; L. J. Dunsdon, Brantford; J. B. Ells, Halifax; A. K. Forsyth, Winnipeg; H. A. Manson, Victoria; D. J. Sullivan, Montreal; C. J. Taylor, Ottawa. At Head Office the following were appointed as Assistant Vice-Presidents: E. Bederman, Economist; C. Dell, formerly of Hamilton Trust, Finance; R. B. Jones, Financial Research; D. M. Lyons, Investment Client Services; L. Merkley, Investment Planning; D. McGibbon, Internal Audit; J. P. Pistilli, Organizational Planning.

Outlook For 1978

We noted last year that 1976 was a year

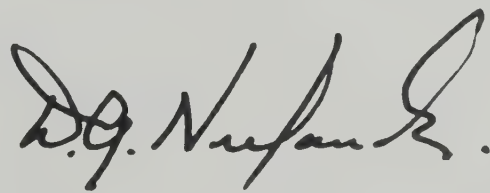
of recovery, but we expressed our concern that the recovery was fragile and might well be short-lived. We said at the time, though the Anti-Inflation Program in its initial stages was beneficial in countering the inflationary psychology which had taken hold of the Canadian public, its dismantling was a precondition to the restoration of confidence in the economy. A year later, having passed through twelve months of relative stagnation, we see at last the emergence of some hopeful signs. Indications are that the decline in economic growth has been arrested. The government has applied a modest stimulus in the form of tax cuts, and has finally removed the major cause of uncertainty by announcing a definite timetable for the dismantling of controls. We feel that the bulk of the Canadian dollar exchange rate depreciation is behind us and that, over time, the inflationary consequences of its decline will diminish while benefits will accrue in the form of improved cost competitiveness. Finally, the Canadian economy is likely to benefit during much of 1978 from a continued, albeit slow, expansion of the U.S. economy.

We hope, therefore, that tentative foundations for an improved economic climate are falling into place. Stronger economic growth and reduced inflationary pressures will, however, not come about without an assertion of confidence on the part of both the public and business. Such a commitment will depend, in turn, on the government's perceived willingness to pursue long term stability while avoiding policies leading to short term gains.

In last year's report we spoke of the Borrowers and Depositors Protection Bill which was then before the House of Commons, and which has since died on the order paper. We are pleased that public dialogue on this bill resulted in the withdrawal of some of its more unrealistic measures while it was still before the House. It is expected that this proposed legislation will be reintroduced, but we would hope that the revised bill would recognize that in our role as financial intermediary between borrowers and depositors we are working within a narrow margin. Measures aimed at improving the lot of the borrower can only operate at the expense of the depositor and vice versa.

We also spoke last year of the Bank Act

revision which at that time was scheduled for 1977. The current Bank Act has been continued in force until March of 1979, but the revision, when it does come, will be of profound significance for our industry. The Trust Companies Association of Canada responded to the government's white paper on the revision of banking legislation of August, 1976, by submitting a brief setting out the industry's views, and is actively engaged in planning for the Canadian payments system which was one of the paper's main proposals. In July, 1977, the Association submitted a further brief to the Minister of Finance, seeking compensating amendments to the Trust and Loan Companies Act. The principal proposals in the brief are that trust and loan companies be allowed to operate at the same level of leverage as the banks, that their liquidity reserve requirements be brought into line with current economic needs and that they be granted a wider range of permitted outlets for the prudent investment of shareholders' and depositors' funds. It is our hope that new approaches to legislation in the general field of financial intermediation will continue to provide Canadians with a soundly based and competitive financial services industry.



Donald G. Neelands
Chairman



Eric J. Brown
President

Consolidated Statement of Earnings

Year ended December 31, 1977
(with comparative figures
for 1976)

	1977	1976
Income:		
Interest from mortgage and other loans	\$307,544,000	\$256,920,000
Other interest and dividends	49,686,000	39,827,000
	357,230,000	296,747,000
Estate and personal trust fees	9,838,000	10,231,000
Corporate service fees	3,771,000	3,731,000
Pension trust and investment management fees	3,232,000	3,090,000
Net real estate commissions	8,368,000	6,068,000
Other income	6,735,000	6,812,000
	389,174,000	326,679,000
Expense:		
Interest	275,378,000	236,617,000
Staff remuneration and benefits	41,703,000	35,846,000
Premises expense	9,053,000	7,434,000
Other expense	30,768,000	22,567,000
	356,902,000	302,464,000
Operating income before income taxes	32,272,000	24,215,000
Income taxes (note 8):		
Current	1,773,000	1,151,000
Deferred	10,166,000	6,703,000
	11,939,000	7,854,000
Net operating income	20,333,000	16,361,000
Gain on disposal of assets (note 9)	31,000	44,000
Net earnings for the year	\$ 20,364,000	\$ 16,405,000
Net earnings per common share—basic (note 12)	\$2.61	\$2.31

**Consolidated
Statement of
Retained Earnings**

Year ended December 31, 1977
(with comparative figures
for 1976)

	1977	1976
Retained earnings, beginning of year	\$73,210,000	\$64,048,000
Net earnings for the year	20,364,000	16,405,000
	93,574,000	80,453,000
Deduct:		
Dividends—series A preference shares	1,807,000	
—common shares (note 10)	7,776,000	7,243,000
	9,583,000	7,243,000
Expenses of series A preference share issue less related income tax reduction	801,000	
Goodwill arising on amalgamation (note 2)	11,484,000	
	21,868,000	7,243,000
Retained earnings, end of year	\$71,706,000	\$73,210,000

**Consolidated
Statement of Changes
in Financial Position**

Year ended December 31, 1977
(with comparative figures
for 1976)

	1977	1976
Funds provided by:		
Debentures and guaranteed investment certificates issued	\$ 602,200,000	\$ 738,486,000
Registered savings plans deposits less withdrawals	160,738,000	123,428,000
Demand deposits received less withdrawals	95,028,000	79,840,000
Mortgage principal repayments	278,411,000	168,491,000
Securities sold or redeemed	111,211,000	85,439,000
Issue of 1,200,000 series A preference shares (note 7)	30,000,000	
Issue of preference shares of subsidiary on amalgamation (note 2)	21,326,000	
Operations (before non-cash charges of \$13,704,000; 1976—\$10,140,000)	34,068,000	26,545,000
Total provided	\$1,332,982,000	\$1,222,229,000
Funds applied to:		
Debentures and guaranteed investment certificates redeemed	\$ 363,407,000	\$ 421,402,000
Mortgage principal advances	551,128,000	569,475,000
Security investments	281,859,000	81,233,000
Personal and secured commercial loans less repayments	49,299,000	46,234,000
Dividends	9,583,000	7,243,000
Bank deposit receipts and cash	36,076,000	86,128,000
Net assets acquired on amalgamation of subsidiary including goodwill (note 2)	21,467,000	
Other	20,163,000	10,514,000
Total applied	\$1,332,982,000	\$1,222,229,000

Consolidated Balance Sheet

December 31, 1977
(with comparative figures
at December 31, 1976)

	1977	1976
Assets		
Bank deposit receipts and cash	\$ 263,112,000	\$ 210,402,000
Securities (note 3):		
Bonds and debentures	340,083,000	203,082,000
Stocks	134,504,000	96,213,000
	474,587,000	299,295,000
Loans:		
Mortgages	3,020,413,000	2,547,200,000
Personal and secured commercial loans	225,287,000	164,296,000
Advances to estates, trusts and agencies	8,745,000	7,094,000
	3,254,445,000	2,718,590,000
Premises and equipment (notes 4(a) and (b))	52,409,000	35,787,000
Other assets (notes 1(d) and 4(c))	8,624,000	5,865,000
	\$4,053,177,000	\$3,269,939,000

We hereby certify that to the best of our knowledge and belief the consolidated balance sheet at December 31, 1977 and the accompanying consolidated statements of earnings, retained earnings and changes in financial position for the year then ended are correct and show truly and clearly the consolidated financial condition of the Corporation's affairs at December 31, 1977 and the consolidated results of its operations and the changes in its financial position for the year then ended.

D. G. Neelands, Chairman and Director

E. J. Brown, President and Director

Canada Permanent Mortgage Corporation

	1977	1976
Liabilities and Shareholders' Equity		
Demand deposits	\$ 832,371,000	\$ 695,771,000
Registered savings plans deposits	479,536,000	318,798,000
Debentures and guaranteed investment certificates	2,463,853,000	2,044,126,000
	3,775,760,000	3,058,695,000
Other liabilities:		
Income taxes payable	3,791,000	
Dividends payable	2,530,000	1,917,000
Accounts payable	34,830,000	32,596,000
Notes and mortgages payable (note 5)	20,757,000	22,033,000
	61,908,000	56,546,000
Deferred income taxes	41,878,000	30,957,000
Minority interest in subsidiaries (note 2)	21,394,000	
Shareholders' equity:		
Capital stock (note 7)	44,203,000	14,203,000
Contributed surplus	36,328,000	36,328,000
Retained earnings	71,706,000	73,210,000
	152,237,000	123,741,000
	\$4,053,177,000	\$3,269,939,000

AUDITORS' REPORT

To the Shareholders of Canada Permanent Mortgage Corporation:

We have examined the consolidated balance sheet of Canada Permanent Mortgage Corporation as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly in all material respects (see note 2) the financial position of the Corporation as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

Toronto, Canada,
January 23, 1978.

1. Summary of significant accounting policies

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements:

(a) Consolidation

These consolidated financial statements include the accounts of Canada Permanent Mortgage Corporation and all subsidiary companies. These subsidiaries are:

	Percentage of common shares owned
Canada Permanent Trust Company (amalgamated company)	99.9%
CanPerm Realty Limited	100.0
The Permanent Home Trade Plan Ltd.	99.9
The Permanent Commercial Corporation	75.0 (1976–80.0)

As explained in note 2, the amalgamation effective December 31, 1977 of Hamilton Trust and Savings Corporation ("Hamilton Trust") with the subsidiary Canada Permanent Trust Company to form the amalgamated subsidiary named Canada Permanent Trust Company has been accounted for on consolidation on the purchase basis of accounting.

(b) Securities and loans

Bonds and debentures are stated at amortized cost and stocks generally at cost, all together with accrued interest and dividends receivable, with investments in corporate joint ventures stated on the equity basis of accounting. Personal loans are stated at the amounts repayable, less unearned interest, with income accounted for on the sum-of-the-digits basis. Mortgages and other loans are stated at cost plus accrued interest, less repayments and provisions for losses.

Included with personal and secured commercial loans in the consolidated balance sheet are receivables under equipment rental contracts with a carrying value at December 31, 1977 of \$46.2 million (1976—\$48.3 million). These receivables are recorded in accordance with the financing method of accounting under which income is recognized over the terms of the leases in decreasing amounts as rental payments are received.

(c) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Rates of depreciation and amortization applied on a straight-line basis to amortize the cost of these assets over their estimated economic lives are as follows:

Buildings	2½%
Equipment	10%–20%
Leasehold improvements	over the terms of the leases

Gains and losses on disposal of premises and equipment are included in net income as realized.

(d) Deferred debenture financing costs

Included in other assets at December 31, 1977 are deferred debenture financing costs of \$597,000 which are being amortized on a straight-line basis over the five year term of the related debentures.

(e) Deferred income taxes

The Corporation follows the tax allocation basis of accounting. Income taxes deferred to future years as a result of timing differences between accounting income and income for tax purposes (principally depreciation and mortgage reserve allowances) are recorded as deferred income taxes.

(f) Fees, commissions and other income

The above items are included in income as received.

2. Amalgamation with Hamilton Trust and Savings Corporation

Effective December 31, 1977, the subsidiary Canada Permanent Trust Company and Hamilton Trust were amalgamated in accordance with the provisions of the Trust Companies Act (Canada). This amalgamation has been accounted for in these consolidated financial statements on the purchase basis of accounting with Canada Permanent Trust Company viewed as the acquiror; accordingly the tangible assets and liabilities of Hamilton Trust are included in the accompanying consolidated balance sheet. Since the effective date of the amalgamation was December 31, 1977, the results of operations of Hamilton Trust for 1977 are not included in the accompanying consolidated statement of earnings.

Notes to Consolidated Financial Statements— December 31, 1977

Information relating to net assets acquired on the amalgamation is as follows:

Tangible assets of Hamilton Trust at book values which approximate fair values—	
Bank deposit receipts and cash	\$ 16,634,000
Securities	4,644,000
Mortgage loans	200,496,000
Other loans	11,692,000
Other assets	3,738,000
	237,204,000
Less liabilities—	
Demand deposits	41,572,000
Guaranteed investment certificates	180,934,000
Other liabilities	4,715,000
	227,221,000
Net tangible assets acquired	9,983,000
Less amalgamation expenses	141,000
	9,842,000
Excess of par value of preference shares of amalgamated company issued to former Hamilton Trust shareholders over underlying value of net tangible assets less amalgamation expenses (being goodwill arising on amalgamation)	
	11,484,000
Consideration—	
8% cumulative redeemable preference shares series B of Canada Permanent Trust Company (included with minority interest in consolidated balance sheet)	\$ 21,326,000

In accordance with the requirements of regulatory authorities, the goodwill of \$11,484,000 arising on the amalgamation has been applied in reduction of consolidated retained earnings. While this treatment is not in accordance with generally accepted accounting principles which require that goodwill be recorded as an asset to be amortized over a period not in excess of forty years, such treatment has, and will have, no material effect on the fair presentation of 1977 or subsequent years' financial statements.

3. Securities

Securities consist of the following:		1977		1976	
	Stated value	Market	Stated value	Market	
Bonds and debentures—					
Bonds of or guaranteed by—					
Government of Canada	\$119,341,000	\$119,139,000	\$ 29,262,000	\$ 30,443,000	
Provinces of Canada	47,060,000	46,278,000	43,974,000	42,807,000	
Canadian municipalities	2,085,000	1,871,000	2,596,000	2,301,000	
Other	171,597,000	167,765,000	127,250,000	121,657,000	
	340,083,000	335,053,000	203,082,000	197,208,000	
Stocks—					
Preferred	83,832,000	79,852,000	52,574,000	49,307,000	
Common	45,411,000	61,349,000	40,026,000	54,743,000	
Corporate joint ventures	5,261,000	5,261,000	3,613,000	3,613,000	
	134,504,000	146,462,000	96,213,000	107,663,000	
Total securities	\$474,587,000	\$481,515,000	\$299,295,000	\$304,871,000	

4. Premises, equipment and other assets

(a) Premises and equipment consist of:	1977	1976
Land	\$ 7,701,000	\$ 5,116,000
Buildings, equipment and leasehold improvements, less accumulated depreciation and amortization	44,708,000	30,671,000
	\$52,409,000	\$35,787,000

(b) Depreciation and amortization included in premises and other expense in 1977 totalled \$3.0 million (1976—\$2.4 million).

(c) Other assets includes real estate carried at cost of \$.8 million (1976—\$3.5 million) and deferred charges of \$.1 million (1976—\$1.1 million) including deferred debenture financing costs.

- Several jet aircraft similar to this are leased by The Permanent to a major international airline.

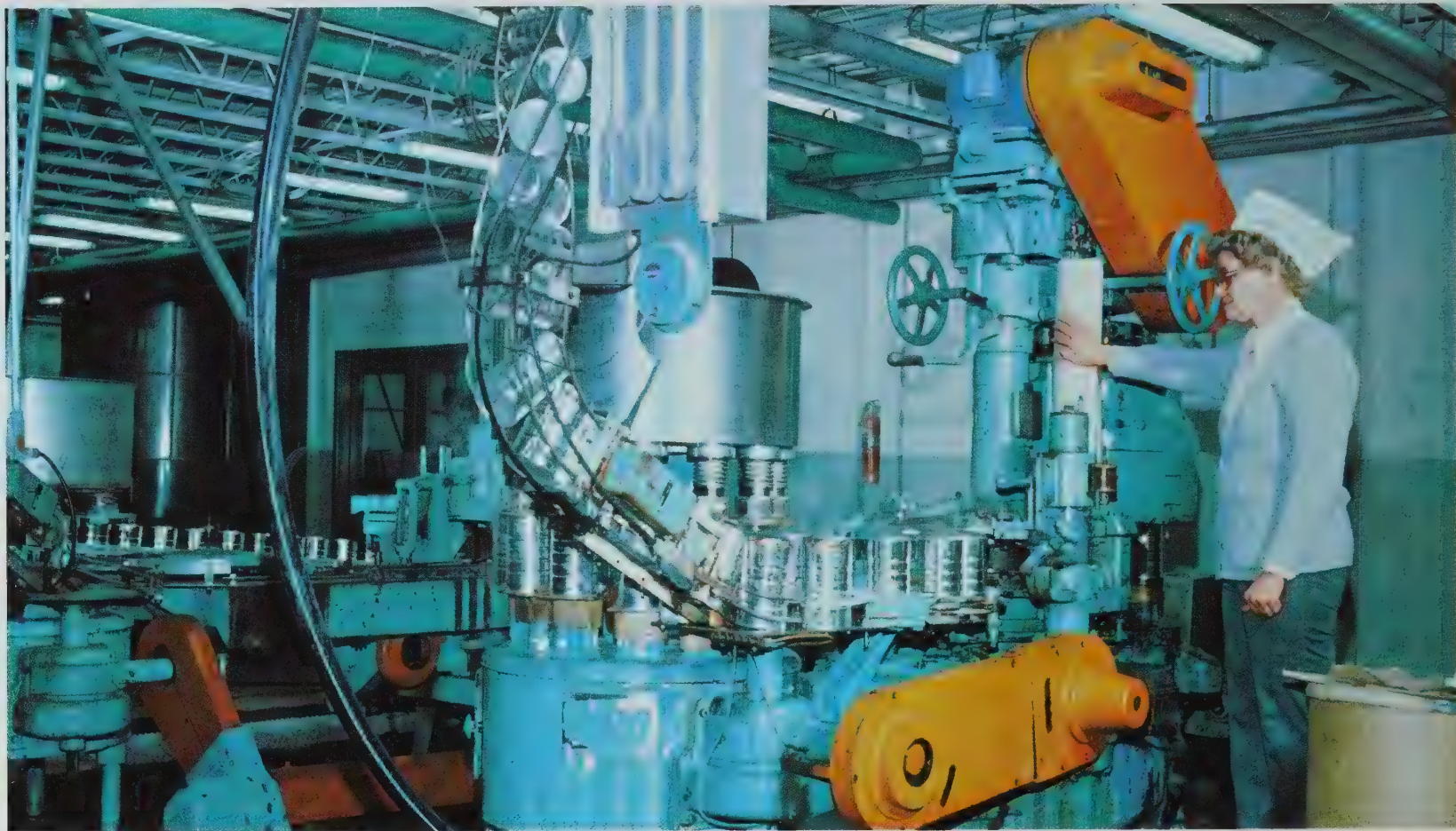


Statistical Review

	1977	1976	1975	1974	1973
Position at year-end	(in thousands except for statistics per share)				
Company assets					
Mortgages	\$3,020,413	\$2,547,200	\$2,146,216	\$1,792,821	\$1,532,124
Other	1,032,764	722,739	580,174	420,013	391,223
	4,053,177	3,269,939	2,726,390	2,212,834	1,923,347
Estate, trust and agency assets	2,884,241	2,596,359	2,602,965	2,505,363	2,388,747
Total assets under administration	6,937,418	5,866,298	5,329,355	4,718,197	4,312,094
Demand deposits	832,371	695,771	615,931	476,072	462,334
Registered savings plans deposits	479,536	318,798	195,370	115,238	68,266
Debentures and guaranteed investment certificates	2,463,853	2,044,126	1,727,042	1,475,257	1,247,949
Total borrowings	3,775,760	3,058,695	2,538,343	2,066,567	1,778,549
Shareholders' equity	152,237	123,741	114,579	107,206	103,330
Number of shares issued—Common	7,101	7,101	7,101	7,101	7,101
—Preferred	1,200				
Results for the year					
Income	389,174	326,679	254,562	208,471	174,844
Expense					
Interest	275,378	236,617	178,694	146,688	113,003
Staff remuneration	41,703	35,846	30,729	27,025	22,877
Other operating expense	39,821	30,001	24,074	18,295	15,719
Total expense	356,902	302,464	233,497	192,008	151,599
Operating income before income taxes	32,272	24,215	21,065	16,463	23,245
Income taxes	11,939	7,854	6,707	5,523	9,775
Net operating income	20,333	16,361	14,358	10,940	13,470
Security gains and extraordinary items	31	44	117	38	264
Net earnings	20,364	16,405	14,475	10,978	13,734
Statistics per share					
Net earnings	\$ 2.61	\$ 2.31	\$ 2.04	\$ 1.55	\$ 1.94
Dividends	1.095	1.02	1.00	1.00	.88
Common shareholders' equity	17.21	17.43	16.14	15.10	14.55

- St. Jacob's Cannery Limited, St. Jacob's, Ontario.
- Cuddy Farms Limited, Strathroy, Ontario, turkey breeders.
- Westmills Carpets Limited, Calgary, Alberta.

Clients of The Permanent Commercial Corporation.



Branch Offices

Newfoundland

St. John's 240 Water Street

Nova Scotia

Dartmouth 63 Tacoma Drive
Halifax 1646 Barrington Street
Lunenburg 36 King Street
New Glasgow 141 Provost Street
Sydney 199 Charlotte Street

Prince Edward Island

Charlottetown 129 Kent Street

New Brunswick

Fredericton 67 Carleton Street
Moncton 814 Main Street
Saint John 53 King Street

Quebec

Montreal 600 Dorchester Blvd. West
5222 Queen Mary Road
183 East Hymus Blvd., Pointe Claire
1326 Greene Avenue, Westmount
St. Laurent 3131 Chemin Cote Vertu
Sherbrooke 81 Wellington Street North
(Term Sales Branch)

Ontario

Brantford 70 Market Street
206 King George Road
300 King George Road
Brockville 20 King Street West
Burlington 500 Guelph Line
2201 Brant Street
Cambridge 27 Water Street North
Grimsby 63 Main Street West
Hamilton 39 James Street South
75 James Street South
1053 King Street West
626 Mohawk Road West
335 Ottawa Street North
moving to 308 in 1978
665 Upper James Street
Kitchener 67 King Street East
101 Hazelglen Drive†
361 Richmond Street
London 1585 Mississauga Valley Blvd.
Mississauga 233 Lakeshore Road East
Oakville 22 King Street West
Oshawa 30 Metcalfe Street
Ottawa 1642 Merivale Road
138 Simcoe Street†
Peterborough 113 Walton Street
Port Hope 195 Christina Street North
Sarnia 629 Queen Street East
Sault Ste. Marie 15 James Street
St. Catharines 350 Scott Street
Stoney Creek 686 Queenston Road
184 Highway No. 8
Sudbury 120 Durham Street South
Thunder Bay 239 Arthur Street
moving to Arthur Square Mall in 1978
Tillsonburg 161 Broadway

Ontario (cont'd)

Toronto 3114 Bathurst Street
320 Bay Street
2518 Bayview Avenue
12 Bloor Street West
2972 Bloor Street West
666 Burnhamthorpe Road
2901 Danforth Avenue
20 Eglinton Avenue West
67 Eglinton Square
123 Eglinton Avenue East
2326 Kennedy Road
34 King Street West
633 Markham Road
10 St. Clair Avenue West
1571 Sandhurst Circle
2900 Steeles Avenue East
1943 Weston Road
3421 Weston Road
1901 Yonge Street
3335 Yonge Street
4841 Yonge Street
148 Yorkdale Shopping Centre
545 Ouellette Avenue
539 Dundas Street
Windsor
Woodstock
Manitoba
Winnipeg 433 Portage Avenue
Saskatchewan
Regina 1778 Scarth Street
Saskatoon 170 Second Avenue South
Alberta
Calgary 315 Eighth Avenue S. W.
3835 Memorial Drive N.E.
Willow Park Shopping Centre†
10038 Jasper Avenue
88 Meadowlark Park Shopping Centre
Edmonton
British Columbia
Chilliwack 1 Wellington Avenue
Kamloops 190 Seymour Street
North Vancouver 1604 Lonsdale Avenue
Penticton 262 Main Street
Prince George 299 Victoria Street
Richmond 626, 5300 #3 Road
Vancouver 701 West Georgia Street
455 Granville Street
2699 Granville Street
2154 West 41st Avenue
Victoria 1125 Douglas Street
Cedar Hill Mall†
West Vancouver Park Royal Shopping Centre†
†Opening in 1978

● Innotech Aviation Limited,
Montreal, Quebec, aircraft
outfitting and servicing across
Canada.

Client of The Permanent
Commercial Corporation.



Real Estate Branches

Nova Scotia

Dartmouth	80 Tacoma Drive, K-Mart Plaza
Halifax	2045 Harvard Street
Sydney	212 Charlotte Street

New Brunswick

Moncton	987 Main Street
Saint John	551 Westmorland Place

Quebec

Beloeil	524 Sir Wilfrid Laurier Blvd.
Boucherville	280 Fort St. Louis
Brossard	7350 Blvd. Tachereau
LaSalle	8182 Champlain Blvd.
Laval	
Chomeday	1600 Le Corbusier Blvd.
Duvernay	3100 Blvd. de la Concorde
Longueuil	1999 Roland Therrien
Montreal	
Queen Mary	4964 Queen Mary Road
Pointe Claire	183-E Hymus Boulevard
Quebec City	999 De Bourgogne, Ste-Foy
Sherbrooke	2273 King West
St. Jean	640 Dorchester Street
St. Jerome	# 9, 400 Blvd. des Laurentides
St. Laurent	1091 Blvd. Decarie
	moving to 3700 Cote Vertu, St. Laurent in 1978
St. Leonard	7373 Langelier Blvd.

Ontario

Agincourt	3430 Sheppard Avenue East
Brantford	PO Box 1734
Burlington	3235 Fairview Street
Hamilton	
Westdale	991 King Street West
Mountain	1012 Upper James Street
Kitchener	932 King Street West
	moving to 1440 King Street East in 1978
London	
East	849 Dundas Street East
West	250b Commissioners Road West
Mississauga	1151 Dundas Street West
Oakville	125 Cross Avenue
Oshawa	500 Rossland Road West
Ottawa	
West	1663 Carling Avenue
Billings Bridge	2315 Riverside Drive

Ontario (cont'd)

Toronto	
Davisville	1901 Yonge Street
Kingsway	2968 Bloor Street West
Eglinton	899 Eglinton Avenue West
Victoria Park	1468 Victoria Park Avenue
Weston	3432 Weston Road
Willowdale	5740 Yonge Street
Windsor	4505 Tecumseh Road East

Manitoba

Winnipeg	
Charleswood	4904 Roblin Blvd.
Colony Street	330 Colony Street
Fort Garry	1325 Markham Road
St. Boniface	35 Marion Street
St. James	2621 Portage Avenue
West Kildonan	1666 Main Street

Saskatchewan

Regina	2060 Broad Street
Saskatoon	170-2nd Avenue South

Alberta

Calgary	
Brentwood	3802N Morley Trail, N.W.
East	5A, 3200-17th Avenue, S.E.
Macleod Plaza	180-94th Avenue, S.E.
Mount Royal	815-17th Avenue, S.W.
North Hill	2017D Centre Street, N.
Edmonton	
Argyll Centre	6825-83rd Street
Commercial	10038 Jasper Avenue
West	170th Street & Stoney Plain Rd.

British Columbia

Burnaby	3953 East Hastings Street
	moving to 4190 East Hastings Street in 1978
Chilliwack	172 Yale Road East
Coquitlam	1071-C Austin Road
Langley	20269 Fraser Highway
New Westminster	7350 Edmonds Street, Burnaby
North Vancouver	1764 Lonsdale Avenue
Richmond	6740 # 3 Road
Surrey	13655-104th Avenue
Vancouver	
Broadway	955 West Broadway
Kerrisdale	5455 West Boulevard
East	2629 Kingsway
Victoria	
Victoria	1125 Douglas Street
Saanich	3647 Shelbourne Street

Introducing our new Automated Banking System

During 1978 the company will embark on a major automation project in its savings and loan business. The automated banking system, as it is termed, will call for the placing of a computer terminal, consisting of a television-type screen and a keyboard, at every teller position. This terminal will be used for deposits, withdrawals and miscellaneous transactions. In addition, there will be a document printer for term deposit certificates, personal loan contracts, RRSP/RHOSP trust agreements and cheques.

This new system will allow us to reduce paper handling in our savings and loan operation, as well as to provide efficient and accurate service to our customers along with valuable marketing information to our savings staff.

In the future, the system can be developed to provide sophisticated financial services such as allowing customers to be served at any branch of the company and providing them with statements which will combine all of their business with us in one convenient format.

1. Each teller will have one of these terminals for processing daily savings and loan transactions.

2. A terminal in the branch manager's office provides information instantly for better service of customer enquiries.

3. This document printer is an integral part of the automated banking system and will produce individual documents such as term deposit certificates and cheques. A separate high-speed printer will produce daily reports on savings activity.



Corporate Division

Donald G. Neelands, Q.C., C.T.C.I., *Chairman and Chief Executive Officer*
Eric J. Brown, Q.C., C.T.C.I., *President and Chief Operating Officer*

E. G. Dewling, *Vice-President and Corporate Secretary*
E. A. Fricker, C.A., F.T.C.I., *Vice-President Corporate Planning*
Earl Bederman, *Assistant Vice-President and Economist*

Administration Division

N. G. Wright, F.T.C.I., *Senior Vice-President*

Marketing

J. T. Morgan, *Assistant Vice-President*

Organization Planning

John Pistilli, *Assistant Vice-President*

Personnel

R. A. G. Stuart, *Assistant Vice-President*

Premises

R. B. McArthur, *Assistant Vice-President*

Finance And Commerce Division

H. G. Tait, C.A., *Senior Vice-President*

Controller's Office

R. L. Silverthorne, C.A., M.T.C.I., *Assistant Vice-President and Controller*

Finance

Colin Dell, C.A., *Assistant Vice-President*

Financial Research

R. B. Jones, *Assistant Vice-President*

Information Services

W. M. Kerrigan, *Vice-President*

Internal Audit

D. R. McGibbon, C.A., *Assistant Vice-President*

Treasury

F. G. Porter, *Assistant Vice-President and Treasurer*

Subsidiary And Affiliated Companies

Can Perm Realty Limited

Ronald Mendel, *Vice-President*

The Permanent Commercial Corporation

Hugh Rorison, *President*

Canada Permanent AFI Limited

B. J. Haynes, A.I.B., *Managing Director*

Operating Division

J. H. Deason, *Senior Vice-President*

Investment Services

S. R. Rudd, *Vice-President*
Stephen Longshore, *Assistant Vice-President, Fixed Income Investments*
D. M. Lyons, *Assistant Vice-President, Investment Client Services*
C. L. Merkley, *Assistant Vice-President, Investment Planning*

Regional Operations

Colin Currie, M.T.C.I., *Vice-President, Central Region*
D. J. Butler, F.T.C.I., *Assistant Vice-President, Hamilton District*
L. J. Dunsdon, F.T.C.I., *Assistant Vice-President and Branch Manager, Main Brantford Branch*
Paul Desrochers, *Vice-President, Eastern Region*
D. J. Sullivan, F.T.C.I., *Assistant Vice-President and Branch Manager, Main Montreal Branch*
C. J. Taylor, M.T.C.I., *Assistant Vice-President and Branch Manager, Main Ottawa Branch*
R. M. Dragan, F.T.C.I., *Vice-President Western Region*
A. K. Forsyth, M.T.C.I., *Assistant Vice-President and Branch Manager, Main Winnipeg Branch*
Sidney Mentipty, F.T.C.I., *Vice-President, Pacific Region*
J. E. Duff, F.T.C.I., *Assistant Vice-President and Branch Manager, Main Vancouver Branch*
H. A. Manson, M.T.C.I., *Assistant Vice-President and Branch Manager, Main Victoria Branch*
A. W. Nicolle, F.T.C.I., *Vice-President, Atlantic Region*
J. B. Ells, F.T.C.I., *Assistant Vice-President and Branch Manager, Main Halifax Branch*
A. C. Langley, F.T.C.I., *Assistant Vice-President, Operations*

Savings And Loan Services

J. E. Donahoe, F.T.C.I., *Vice-President*
J. L. Collis, M.T.C.I., *Assistant Vice-President, Mortgage Services*
R. S. Robson, *Assistant Vice-President and Branch Manager, Savings and Loan Services (Metro Toronto)*
E. E. Spencer, M.T.C.I., *Assistant Vice-President, Savings and Loan Services*

Trust Services

H. K. Naylor, F.T.C.I., *Vice-President*
Reginald Bertram, M.T.C.I., *Assistant Vice-President and Branch Manager, Trust Services (Metro Toronto)*
G. B. Clapperton, M.T.C.I., *Assistant Vice-President, Personal Trust and Agency Services*
Berkeley Hynes, *Assistant Vice-President, Customer Services*
H. K. Minns, M.T.C.I., *Assistant Vice-President, Corporate and Pension Trust Services*

Real Estate Division

E. H. Smith, F.T.C.I., *Senior Vice-President*

Real Estate Services

R. E. Barr, *Vice-President*

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P. Derek Lewis, Q.C.
Hon. Fabian A. O'Dea, Q.C.
E. A. Pratt
H. D. Roberts, M.D.
G. M. Stirling, Q.C.
William A. Tiller

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Sheldon L. Fountain
John D. Guildford
Charles E. MacCulloch
Donald McInnes, Q.C.
Clifford A. Moir
Hon. Victor deB. Oland
John E. Shaffner

Lunenburg, N.S.
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James B. Morrow
Murray Mosher

New Glasgow, N.S.
Chairman, Waldo Goodman
D. C. Jewkes
Donald R. MacKay
E. C. Mingo
Thomas C. Sedgewick, Q.C.

Sydney, N.S.
Chairman, Roy D. Duchemin, Q.C.
Daniel A. MacDonald

Prince Edward Island
Chairman, Alan K. Scales, Q.C.
John M. Mulligan, C.A.
H. B. Schurman
J. David Stewart

Fredericton, N.B.
Chairman, Arthur McF. Limerick, Q.C.
B. L. Jewett, M.D.
Frank I. Morrison

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Chairman, Gerald L. Comeau
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Ralph W. Black, C.A.
Sumner M. Fraser
J. K. Grainger
Mrs. Margaret Lockhart

Saint John, N.B.
Chairman, Hugh H. Mackay
J. Ross Corbett
Thomas B. Drummie, Q.C.
Robert L. Emerson
Roy M. Lawson
Wallace S. Turnbull

Quebec
Chairman, Roger L. Beaulieu, Q.C.
Paul Desrochers
Jean J. Gourd, Q.C.
C. D. Marshall
J. R. Miquelon
Marcel Savard
J. Lloyd Welch

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Chairman, Mrs. A. F. W. Plumptre, LL.D.
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John M. Coyne, Q.C.
Dr. A. Davidson Dunton
Alan O. Gibbons
Roy H. Hyndman
Donald Maclaren

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Chairman, William P. Pigott
Ramsay A. Evans, Q.C
D. H. Henderson
Douglas C. Marrs
K. B. Paulin
T. F. Rahilly, Jr.
Albert E. Woods

Manitoba
Chairman, A. Lorne Campbell, Q.C., LL.D.
John F. Baldner
William C. Gardner, Q.C.
S. Price Rattray
Donald S. Rogers
T. Bruce Ross

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Chairman, Norman E. Whitmore
W. T. Patton
Gordon L. Redhead
T. C. Wakeling, Q.C.
Manly Wellman

Saskatoon, Sask.
Hon. Sidney L. Buckwold
David E. Gauley, Q.C.

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Chairman, The Hon. Harry Hays
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R. F. Jennings
J. Howard Kelly, Q.C.
Charles Kennedy
Howard P. Miller
Brett F. Sine
John Stevenson

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Chairman, Dr. Walter H. Johns
Edward E. Bishop, Q.C.
Jack K. Campbell
George W. Golden
W. Donald Hunt
Robert Stollery

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Chairman, Thomas E. Ladner, Q.C.
George C. Bradley
J. L. Gibson
T. H. McClelland
William H. Mowat
Col. The Hon. Walter S. Owen, Q.C., LL.D.
Harold M. Wright

London, England
Chairman, Peter W. Bennett
Sir Peter Studd

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President
Eric J. Brown, Q.C. Toronto

Vice-President
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Partner,
Strathy, Archibald & Seagram

Robert D. Armstrong, Toronto
Chairman, Rio Algom Limited

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A. Lorne Campbell, Q.C., LL.D.,
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Partner,
Aikins, MacAulay & Thorvaldson

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McCarthy & McCarthy

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Burchell, Jost, MacAdam & Hayman

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Partner, Ladner, Downs

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Beverley Matthews, Q.C., Toronto
Partner, McCarthy & McCarthy

William H. Mowat, Vancouver

Col. The Hon.
Walter S. Owen, Q.C., LL.D.,
Vancouver
Lieutenant-Governor of the Province of British Columbia

John F. Perrett, Q.C., Toronto
Partner, Robertson, Lane, Perrett

William P. Pigott, Ancaster
President,
Pigott Construction Limited

Mrs. A. F. W. Plumptre, LL.D., Ottawa
Economist

Charles B. Stewart, Toronto
Deputy Chairman,
Simpsons, Limited
Colin Strathy
Norman E. Whitmore, Regina
President,
Wascana Investments Limited

Roger D. Wilson, Q.C., Toronto
Partner, Fasken & Calvin

Douglas Bassett

William P. Pigott

William H. Jost

William H. Mowat

All are directors of both Canada Permanent Mortgage Corporation and Canada Permanent Trust Company excepting those marked † who are directors of Canada Permanent Trust Company.

Our Services

Savings and Loan Services

For Individuals

Savings and Chequing Accounts
Term Deposits (Debentures and
Guaranteed Investment Certificates)
Guaranteed Savings Certificates
Income Averaging Annuities
First and Second Mortgage Loans
Personal Loans
Secured Demand Loans

For Corporations

Mortgage Loans
Commercial Loans
Term Deposits (Debentures and
Guaranteed Investment Certificates)

Trust Services

For Individuals

Registered Retirement Savings Plans
Registered Home Ownership Savings
Plans
Investment Management
Custodianship Services
Estate Planning
Estate and Trust Administration
Safe-Keeping Facilities

For Corporations

Trustee of Bond Issues
Stock Transfer Agent
Registrar
Dividend Disbursement Agent
Trustee of Pension and Other Employee
Benefit Plans

Real Estate Services

For Individuals

Real Estate Sales Services
Home Trade Services

For Corporations

Home Re-Location Services
Real Estate Sales Services



Member of the
Trust Companies Association of Canada

Printed in Canada

Report to Shareholders

AR80

Second Quarter,
six months ended June 30,
1977



the Permanent

Canada Permanent Trust Company
Canada Permanent Mortgage Corporation

To Our Shareholders:

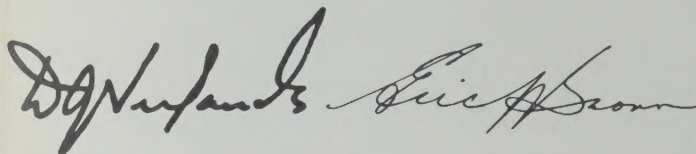
Net operating income for the six months ended June 30, 1977 was \$8.5 million, 15% above earnings for the comparable period last year. The Permanent benefited from a further prime rate reduction in May as well as additional earnings arising from full investment of the proceeds of our tax deferred preferred issue.

The Permanent is pleased to report that during the quarter, the Minister of Finance approved continuation of payment of tax deferred dividends for the duration of the tax deferred preferred issue.

Net real estate commissions improved during the quarter, although income from estate and personal trusts remained at approximately the same level in comparison with the second quarter last year.

Salary, premises and other expenses in total are ahead of last year by 29%, reflecting inflationary pressures, expanded facilities and higher volume attainments.

Total assets exceed \$3.5 billion, 19% ahead of the amount one year ago.



D. G. Neelands, Q.C.
Chairman

E. J. Brown, Q.C.
President

July 14, 1977

STATEMENT OF EARNINGS (dollars in thousands)

CONSOLIDATED OPERATIONS

	Three months ending June 30 1977	Six months ending June 30 1977	Six months ending June 30 1976	% increase (decrease)
Operating income				
Income from mortgages and other loans	\$75,613	\$148,499	\$120,013	24
Interest and dividends from securities	12,096	24,179	18,981	27
Income from estates and personal trusts	2,186	3,771	4,210	(10)
Net real estate commissions	2,396	3,083	2,533	22
Other	3,523	6,548	6,153	6
	<u>95,814</u>	<u>186,080</u>	<u>151,890</u>	23
Operating expenses				
Interest on deposits and borrowings	67,775	133,190	110,498	21
Salaries and staff benefits	10,446	20,936	17,124	22
Premises expense	2,270	4,309	3,458	25
Other	7,975	14,849	10,446	42
	<u>88,466</u>	<u>173,284</u>	<u>141,526</u>	22
Net operating income before income taxes	7,348	12,796	10,364	23
Income taxes	2,487	4,290	2,937	46
Net operating income	4,861	8,506	7,427	15
Loss on disposal of assets (net after taxes)	(335)	-	(58)	-
Net earnings	<u>\$ 4,526</u>	<u>\$ 8,506</u>	<u>\$ 7,369</u>	15
Earnings applicable to: Preferred shares		\$ 794	\$ -	
Common shares		7,712	7,369	
Net earnings per common share: Basic		\$ 1.09	\$ 1.04	
Fully diluted		1.00	-	

CONSOLIDATED ASSETS AND LIABILITIES

Assets				
Mortgages	\$2,727,784	\$2,311,449		18
Securities	406,250	314,886		29
All other assets	416,761	362,030		15
	<u>\$3,550,795</u>	<u>\$2,988,365</u>		19
Liabilities and equity				
Deposits and customer borrowings	\$3,313,968	\$2,799,477		18
Other liabilities	80,360	70,490		14
Shareholders' equity	156,467	118,398		32
	<u>\$3,550,795</u>	<u>\$2,988,365</u>		19

Note: The above financial reports are unaudited.

A nos actionnaires

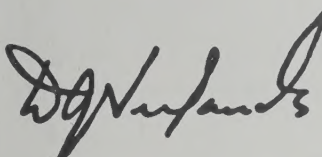
Le revenu net d'exploitation pour les six mois terminés le 30 juin 1977 fut de \$8.5 millions, soit 15% de plus que les bénéfices de la période comparable l'an dernier. Le Permanent a bénéficié d'une diminution subséquente du taux préférentiel en mai, de même que de bénéfices supplémentaires provenant du placement intégral du produit de notre émission d'actions privilégiées à impôt différé.

Le Permanent rapporte avec plaisir qu'au cours du trimestre, le ministre des Finances a approuvé la continuation du paiement de dividendes à impôt différé pendant la durée de l'émission des actions privilégiées à impôt différé.

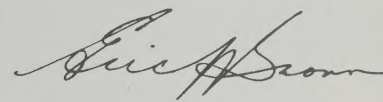
Les commissions nettes sur les valeurs immobilières furent meilleures au cours du trimestre, bien que le revenu des fiducies personnelles et des successions soit demeuré environ au même niveau comparativement au deuxième trimestre de l'an dernier.

Au total, les frais de salaire, de bureau et autres dépenses sont supérieurs de 29% à ceux de l'an dernier, ce qui reflète les pressions inflationnistes, les agrandissements des aménagements et aussi la réalisation d'un plus haut volume.

L'actif total dépasse \$3.5 milliards, soit 19% de plus que le montant d'il y a un an.



D. G. Neelands, C.R.
Président du Conseil



E. J. Brown, C.R.
Président

Le 14 juillet 1977

ÉTAT DES PROFITS (en milliers de dollars)

OPÉRATIONS CONSOLIDÉS

	Trimestre terminé au 30 juin 1977	Semestre terminé le 30 juin 1977	Semestre terminé 1976	% d'augmentation (de diminution)
Revenus d'opération				
Revenus provenant d'hypothèques et d'autres prêts	\$75,613	\$148,499	\$120,013	24
Intérêts et dividendes provenant de valeurs	12,096	24,179	18,981	27
Revenus provenant de successions et de dépôts fiduciaires personnels	2,186	3,771	4,210	(10)
Revenus nets provenant de commissions immobilières	2,396	3,083	2,533	22
Autres revenus	3,523	6,548	6,153	6
	<u>95,814</u>	<u>186,080</u>	<u>151,890</u>	23
Dépenses d'opération				
Intérêts sur dépôts et emprunts	67,775	133,190	110,498	21
Salaires et avantages sociaux	10,446	20,936	17,124	22
Dépenses relatives aux locaux	2,270	4,309	3,458	25
Autres dépenses	7,975	14,849	10,446	42
	<u>88,466</u>	<u>173,284</u>	<u>141,526</u>	22
Revenus nets avant impôts	7,348	12,796	10,364	23
Impôts	2,487	4,290	2,937	46
Revenus nets d'exploitation	4,861	8,506	7,427	15
Pertes sur disposition d'actif (net après impôts)	(335)	-	(58)	-
Profits nets	<u>\$ 4,526</u>	<u>\$ 8,506</u>	<u>\$ 7,369</u>	15
Bénéfices applicables aux: Actions privilégiées		\$ 794	\$ -	
Actions ordinaires		7,712	7,369	
Bénéfices nets par action ordinaire: De base		\$ 1.09	\$ 1.04	
Entièrement dilués		1.00	-	

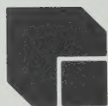
BILAN CONSOLIDÉ

Actif				
Hypothèques		\$2,727,784	\$2,311,449	18
Valeurs		406,250	314,886	29
Autres postes de l'actif		416,761	362,030	15
		<u>\$3,550,795</u>	<u>\$2,988,365</u>	19
Passif et avoir des actionnaires				
Dépôts et emprunts de la clientèle		\$3,313,968	\$2,799,477	18
Autres postes du passif		80,360	70,490	14
Avoir des actionnaires		156,467	118,398	32
		<u>\$3,550,795</u>	<u>\$2,988,365</u>	19

Remarque: les états financiers ci-dessus n'ont pas été soumis à une vérification comptable.

Rapport aux Actionnaires

Second trimestre
six mois se terminant
le 30 juin, 1977



le Permanent

La Compagnie de Fiducie, Canada Permanent